

SERVICE DATE - FEBRUARY 1, 2002

SURFACE TRANSPORTATION BOARD

DECISION

STB EX PARTE NO. 290 (SUB-NO. 4)
RAILROAD COST RECOVERY PROCEDURES-PRODUCTIVITY ADJUSTMENT

Decided: January 25, 2002

We propose to adopt 1.042 (4.2% per year) as the measure of average change in railroad productivity for the 1996-2000 (5-year) averaging period. We currently use a value of 2.8% that was developed for the 1995-1999 period.

Since 1989, the cost recovery procedures have required that the quarterly rail cost adjustment factor (RCAF) be adjusted for long-run changes in railroad productivity. The ICC Termination Act of 1995 continues this requirement (49 U.S.C. 10708, as revised). The long-run measure of productivity is computed using a 5-year moving geometric average.¹

Productivity change for the year 2000 is 1.082 (an increase of 5.6% from the prior year) based on changes in input and output levels from 1999. Incorporating the 2000 value with the values for the 1996-1999 period produces a geometric average productivity growth of 1.042 for the 5-year period 1996-2000, or 4.2% per year. This is 1.4% higher than the value developed for the 1995-1999 5-year period currently used. A detailed discussion of our calculations is contained in the Appendix to this decision.

Comments may be filed addressing any perceived data and computational errors in our calculation. Any party proposing a different estimate of productivity growth must, at the time it files comments, furnish the Board with one set of detailed work papers and documentation underlying its calculations. The same information must be made available to other parties upon request.

ENVIRONMENTAL AND ENERGY CONSIDERATIONS

This decision will not significantly affect the quality of the human environment or the conservation of energy resources.

¹ Productivity Adjustment-Implementation, 9 I.C.C.2d 1072 (1993).

REGULATORY FLEXIBILITY ANALYSIS

Pursuant to U.S.C. 605(b), we conclude that our action in this proceeding will not have a significant economic impact on a substantial number of small entities. No new regulatory requirements are imposed directly or indirectly on such entities. The purpose of our action in this proceeding is to update the data used to measure railroad productivity changes. Reporting requirements remain unchanged. The economic impact on small entities, if any, is not likely to be significant within the meaning of the Regulatory Flexibility Act.

AUTHORITY: 49 U.S.C. 10708, as revised.

It is ordered:

1. Comments are due by 15 days after the date of this order.
2. An original and 10 copies must be filed with:

Office of the Secretary
Case Control Branch
Surface Transportation Board
Washington, D.C. 20423-0001

3. Comments must be served on all parties appearing on the current service list.
4. Unless a further order is issued postponing the effective date, the productivity adjustment will become effective 30 days after the date of service.

By the Board, Chairman Morgan, Vice Chairman Burkes.

Vernon A. Williams
Secretary

APPENDIX

The following is a description of the methodology currently used to calculate the RCAF productivity adjustment.² The annual rate of productivity change is calculated by dividing an output index by an input index.

The input index uses constant dollar-adjusted expenses. The inputs in this index—freight expenses, fixed charges and contingent interest—are stated on a constant dollar basis using the most recent year as the base, and updating the base by the Series RCR Index published by AAR. Freight expenses, fixed charges, and contingent interest were obtained from railroad Annual Report (Form R-1) data. The constant dollar adjustment factor for each of the five years was calculated by dividing the 2000 RCR index value (295.0) by the RCR index values for 1996 and each subsequent year through 1999, inclusive. Because 2000 is the last year in the trend, no constant dollar adjustment was needed for that year. The calculation of the input indices and values used are shown in Table A.

The 2000 output index was developed from the costed waybill sample, a commonly used data source. The costed waybill sample excludes movements originating in Canada and Mexico and movements lacking sufficient information for the application of unit costs.

Using the costed waybill sample as a base, each movement is assigned to one of the 189 segments or categories used to develop the output index. Segmentation is based on three mileage blocks, seven car types, three weight brackets, and three shipment sizes. The output index is a composite of the year-to-year change in ton-miles for each of the 189 segments weighted by each segment's base-year share of total revenues.

The change in productivity is calculated by dividing the output index by the input index. The multi year average for the period 1996-2000 is calculated by taking a geometric average. The growth in productivity over the period 1996-2000 is 1.042 (4.2% per year). The input index, the output index, the annual productivity change, and the calculation of the 1996-2000 average are shown in Table B.

² The development and application of the productivity adjustment is explained in the decision in this proceeding found at 5 I.C.C.2d 434.

Table A
Calculation of Input Indices
1996-2000

Year	Total Expense Unadjusted (000's) (1)	RCR Indices 1995-2000 (2)	Total Expense Constant Dollars (000's) (2000 Levels) (3)	Input Index Column (3) 1996/1995 etc. (4)
1995	28,818,781	252.9	\$33,616,214	xxxxxx
1996	27,356,687	263.0	\$30,685,257	0.913
1997	28,320,875	267.1	\$31,279,139	1.019
1998	29,242,354	270.9	\$31,843,833	1.018
1999	29,272,162	270.3	\$31,947,051	1.003
2000	30,363,767	295.0	\$30,363,767	0.950

Table B
Comparison of Output, Input, and Productivity
1996-2000

Year	Output Index (1)	Input Index (2)	Productivity Change Col (1)÷Col (2) (3)
1996	1.038	0.913	1.137
1997	1.007	1.019	0.988
1998	1.005	1.018	0.987
1999	1.028	1.003	1.025
2000	1.028	0.950	1.082

The proposed 5-year (1996-2000) productivity trend calculated using a geometric average is 1.042, or 4.2% per year.